Changing the MINDSET

ANNUAL REPORT

2001

Workplace Health, Safety
and Compensation Commission

WORKPLACE HEALTH SAFETY & COMPENSATION COMMISSION
WHSCC

Newfoundland and Labrador

Activity at a GLANCE

Claims Activity

	2001	2000	1999	1998	1997
Long-term Disability Caseload	**2,712**	2,561	2,376	2,158	1,932
Short-term Disability Claims[1]	**6,132**	6,541	6,595	5,540	5,029
Health Care Only Claims[1]	**5,032**	6,306	5,041	4,305	4,406
Accepted Fatality Claims[2]	**26**	38	27	31	31
Accident Resulting in Fatality	**14**	21	10	16	14
Industrial Disease	**12**	17	17	15	17
Average Short-term Claims Duration (days)	**118**	133	135	114	109

Financial Activity

	2001	2000	1999	1998	1997
Registered Employers' Accounts	**14,741**	14,490	14,080	13,589	13,571
Employer Assessments	**$137.4m**	$134.4m	$117.0m	$108.2m	$98.4m
Claims Costs	**$142.4m**	$144.8m	$131.9m	$98.2m	$86.6m
Administration Costs[3]	**$20.9m**	$18.1m	$17.8m	$15.1m	$13.8m
Unfunded Liability	**$200.0m**	$202.3m	$179.9m	$111.1m	$91.7m
Funded Ratio[4]	**67.5%**	65.2%	65.5%	74.1%	75.9%

1. The number of new claims reported and accepted for payment up to March 31 of the following calendar year.
2. Accepted Fatality Claims are the number of fatalities that occurred in 2001 or prior to 2001 and were accepted for payment between January 1 and December 31, 2001, including industrial disease fatalities.
3. Refer to Note 12 to the Financial Statements.
4. Refer to Statement of Unfunded Liability in the Financial Statements.

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Table of CONTENTS

Letter of Transmittal 1

Administrative Reports

- Report of the Chairperson 2
- Report of the Chief Executive Officer 5
- Board of Directors 8

Financial Report

- Management's Responsibility for Financial Reporting 9
- Financial Statements 10
- Five-Year History 28

Prevention Overview 29

Statistical Overview 30

Letter of
TRANSMITTAL

146-148 Forest Road • P.O. Box 9000 • St. John's, NF • Canada • A1A 3B8
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BOARD OF DIRECTORS

April 24, 2002

The Honourable Anna Thistle
Minister of Labour
4th Floor, West Block
Confederation Building
P.O. Box 8700
St. John's, NF
A1B 4J6

Dear Minister Thistle:

In compliance with Section 12(1) of the *Workplace Health, Safety and Compensation Act*, I am pleased to submit the annual report of the Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador for the year ended December 31, 2001.

The report presents information on the Commission's transactions for the 2001 calendar year including the number of injuries accepted, benefits provided, and audited financial statements.

I commend the report for your review.

Respectfully submitted,

J. Wayne Trask
Chairperson

Report of the CHAIRPERSON

DEVELOPING THE ROADMAP

In 2001, we started on the road to rebuild the workers' compensation system. By tabling the Workers' Compensation Task Force Report entitled "Changing the Mindset" with government in February, 2001, all members of the Board of Directors of the Workplace Health, Safety and Compensation Commission and our stakeholders came together to set out a plan which defined new roles and responsibilities for those involved in the compensation system.

Ann Marie Hann, Chief Executive Officer and J. Wayne Trask, Board Chairperson.

Everyone associated with the system realized that much needed to be done to turn the system around — to get us back to being a fair, affordable and sustainable insurance system. It was important to do it right and to ensure the changes could be sustained. There would be no quick fixes. We had to avoid the drastic pendulum swings of the past. Without decisive action, the financial position of the workers' compensation system was at great risk of further deterioration, a situation that could not be allowed to happen.

Government, employers, injured workers and organized labour endorsed our plan. Without Government's support and passage of the necessary legislative changes just three short months after it received the Task Force Report, the plan would have been meaningless. As well, progress could not have been made in 2001 without the support of all our stakeholders who recognized that the Task Force plan was THEIR plan too, not just the Commission's.

Our achievements are many

The list of major achievements for 2001 is nothing short of remarkable. We have started to change the system and we have not looked back.

The Commission's three major programs were completely revamped, and ready for implementation by January 1, 2002, as promised.

These include:

i. a new co-operative model for returning injured workers back to work, and significantly improved labour market re-entry services for those who cannot;

ii. a new framework for levying employer assessments, with a direct correlation between employers' injury costs and the assessments paid; and

iii. a strengthened focus on accident/incident prevention, including the establishment of much needed standards for health and safety training.

With the new legislative framework in place, the Board of Directors approved an unprecedented number of new policies to support the legislative changes and new programs.

To complement the Task Force plan, the Board of Directors has developed a comprehensive five-year (2002-2006) strategic plan, with measurable goals that stakeholders can use to judge our progress and to which the Board is prepared to be publicly accountable. This document is available with this annual report.

On the operational side, an independent consulting firm's review of the Commission's major business processes and information technology resources and plans was completed, and we are now implementing that report.

Consultation and co-operation are key

Continuing the trend set by the Task Force process, the Commission consulted widely as it proceeded along its course. In 2001, the Commission:

i. held a second session in March with the participants of the Task Force round table process to update them on "what's next;"

ii. initiated a symposium in June related to the development of a provincial accident prevention strategy;

iii. held two rounds of consultations in July and August with representatives of key stakeholder groups on the new policies for early and safe return-to-work and labour market re-entry;

iv. conducted two provincial tours in June and October, and a separate consultation with approximately 20 invited employer organizations in September, related to the development of the new assessment model; and

v. consulted with organized labour and employer groups in September regarding the development of education and training initiatives related to the new occupational health and safety training requirements.

I think all would agree that this demonstrates an unprecedented level of commitment on the part of the Commission to involve our partners in the workers' compensation system in a meaningful way as we move forward with our plans. We truly believe that the more input we receive, the better our plans will be.

Hand-in-hand with consultation is co-operation. We are very pleased to be a partner with the Newfoundland and Labrador Federation of Labour and the Newfoundland and Labrador Employers' Council (both supported by other organizations respectively) in the development and delivery of early and safe return-to-work and occupational health and safety training across the province. Much of this training will continue into 2002.

Change happens quickly

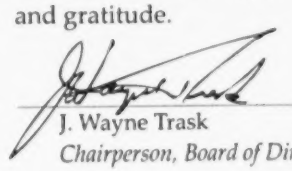
As of January 2002, almost every aspect of how workers and employers deal with the Commission and each other changed. We realize many of these changes have happened quickly. The new system will place demands on everyone, the Commission included. No one said it would be easy, but following this path is a must. By working together and supporting one another, we will accomplish our collective goal of establishing a fair, affordable and sustainable insurance system. Some of the short-term pain we are now experiencing (and should expect to experience with the implementation of any major new programs) will have been well worth it.

I would like to acknowledge and thank my fellow Board members for their hard work during this past year and their commitment to seeing the plan through. The hours these individuals have put in this past year were tremendous and far beyond what they expected when they accepted their appointments. Yet they did it willingly and in good spirit.

I also want to thank Ms. Eileen Humphries, a worker representative on the Board, who completed her term in February 2001. Thank you, Eileen, for your dedication and service to the Commission.

I would like to acknowledge the outstanding dedication, level of commitment, and exemplary leadership provided by our Chief Executive Officer, Ann Marie Hann, and her entire management team.

Finally, I wish to acknowledge the extraordinary staff at the Commission. This past year was a very difficult one for them. They developed so many new programs, policies and procedures, while at the same time maintaining the day-to-day business of the Commission in a timely, professional and thoroughly competent manner. They deserve our sincere appreciation and gratitude.



J. Wayne Trask
Chairperson, Board of Directors

Report of the CHIEF EXECUTIVE OFFICER

As a result of the Workers' Compensation Task Force process, and the valuable input and support from the Board of Directors and our stakeholders, a new direction for the Commission was established in 2001. With a comprehensive plan in place, including a new long-term strategic plan, the Commission was able to embark on many of the changes necessary to improve the overall viability of the workers' compensation system, and to fulfill our mandate of providing a fair, affordable, sustainable insurance system for injured workers and employers in the province.

We promptly responded to the Task Force report. In fact, with a few exceptions, the recommendations stemming from that report have been implemented.

Arising from the operational review completed by an independent consulting firm, we have been proactive in implementing several recommendations to enhance our business operations. Key among these improvements was the realignment of our internal organizational structure. To better serve our clients, we have restructured into two primary service areas — worker services and employer services.

We have also established a new corporate governance and planning department.

The Board approved an additional budgetary allocation to increase our collections and auditing staff complement, and contract investigation companies to assist with timely investigations of suspected cases of fraud.

We expected 2001 to be a transition year as we tried to bring the financial challenges under control with the goal initially to "stop the bleeding." We did a little better than that! We are pleased to report that the performance of the workers' compensation system showed some positive trends in 2001.

The Commission's funded position for 2001 improved to 67.5%, from 65.2% at the end of 2000, after eliminating the disaster reserve. During the year, the unfunded liability was reduced by $2.3 million, to $200 million. This result is very positive indeed, considering that the unfunded liability position had increased by over $22 million during 2000.

Early in 2001, we had predicted an operating deficit of just over $16 million for 2001. The final result for the year saw the Commission significantly reduce its operating deficit to

$7.7 million. By comparison, the operating deficit in 2000 was $22.2 million. For 2001, we budgeted an improvement in our cash flow position of $2.2 million. A $5.7 million positive cash flow position was the actual year end result.

In addition, our investment managers led all workers' compensation boards in the country in generating an overall return of 4.1% on our long-term investments, notwithstanding the impact that the events of September 11, 2001 had on the marketplace.

The Commission is closely monitoring the impact of workplace health and safety initiatives on injury frequency and severity rates. Despite high levels of employment, the lost-time incident rate per 100 workers decreased to 2.90 from 3.20. Soft tissue injuries as a percentage of total lost-time claims was 61.1%, a reduction of 4.7%. Overall, the total number of new lost-time claims decreased by 409 or 6.25%, while the average short-term claims duration decreased by 15 days.

Role of health care providers

Recognizing that health care providers have a key role to play in the success of the system, in 2001 we initiated and maintained regular consultation with the Newfoundland and Labrador Medical Association (NLMA). We worked with physicians – and also chiropractors – in developing a new report of injury form, and finalized a new process to ensure more timely reporting by physicians. Further, the NLMA accepted the use of new disability management guidelines for the treatment, and our adjudication of, soft tissue injuries. In addition, twenty-five province-wide information sessions on the new early and safe return-to-work models were held with a variety of health care providers, with more to follow in 2002.

Staff training

An immense amount of training was initiated within the Commission. Only by having well-trained decision-makers can we be assured of effective and consistent claims adjudication. The dedication of our staff has enabled us to implement many of the new programs and directions of the Task Force report in a timely manner. The amount of preparation and work involved in implementing the prevention, rate assessment, and early and safe return-to-work models in 2001 are a testament to the Commission's commitment to ensure that it effectively and efficiently administers the workers' compensation system in this province.

We are pleased with our performance in 2001, and intend to build on these positive successes as we move forward to implement our strategic plan in 2002 and beyond. We recognize that there are still many improvements needed in how the Commission conducts its affairs. We still have a way to go to get the workers' compensation system fully on track and working to the satisfaction of employers and injured workers. However, several key indicators already show that the steps we took in 2001 are starting to make a difference.

Five-year strategic plan

We have begun to implement our new five-year strategic plan. Our ultimate goal is to make workplaces in Newfoundland and Labrador healthier and safer, and over time, assessment rates and benefits to injured workers competitive with other jurisdictions. Regular consultations with our stakeholders, as we implement major new initiatives or make further changes to our programs, will continue to be part of that process.

Ann Marie Hann

Ann Marie Hann
Chief Executive Officer

Board of DIRECTORS

Standing (l-r): Donald Warr, Bernice Buckle, Richard Kelly, Roger Flood, Ches Foote, Ann Marie Hann, Kim Dunphy
Sitting (l-r): Judy Vanta, J. Wayne Trask, Reg Anstey, Michael J. Power

J. Wayne Trask — Chairperson
J. Wayne Trask is a retired business owner and chartered accountant from Corner Brook. He has been chairperson of the Board for two years. He is currently serving on several corporate boards including Newfoundland and Labrador Hydro, Academy Canada and Corporate Ventures Incorporated. He is chair and president of the Civic Centre Association and the Volunteer Service Medal Selection Committee, is a member of the Premier's Advisory Council on Cultural Infrastructure, and serves as chair of the Newfoundland and Labrador Business Hall of Fame Committee. Wayne is past president of the 1999 Canada Winter Games, the Institute of Chartered Accountants of Newfoundland and Labrador, the Rotary Club of Humber, Junior Achievement of Newfoundland and Labrador, and the Canadian Association of Knights of Columbus. He is a Fellow of the Institute of Chartered Accountants.

Reg Anstey — Worker Representative
Reg Anstey is from Mount Pearl and is secretary/treasurer with the Fish Food and Allied Workers Union. He has been a member of the Board of Directors for three years. Reg is active within the fishing industry, serving as a board member on the Fisheries Benefit Trust, the National Seafood Sector Council and Offshore Fish Resource Harvester Incorporated.

Michael J. Power – Worker Representative
Michael J. Power is from Mount Pearl and is an International Representative with the International Brotherhood of Electrical Workers (IBEW). He has been a member of the Board of Directors since the summer of 2001 and has been involved in the trade union movement with the IBEW since 1977 as President/Business Manager of Local 2351, Churchill Falls. He was a member of the Labour Relations Working Group initiative of the Advisory Council on the Economy and the Construction Industry Industrial Adjustment Services Committee, an alternate member and current member and jurisdictional umpire of the Labour Relations Board. Mike is also chairperson of the Board of Directors of the Newfoundland and Labrador Construction Safety Association and has been since its inception. He is presently completing a degree in post-secondary education.

Judy Vanta — Worker Representative
Judy Vanta is from St. John's and is employed with the Janeway Child Health Centre. She has been a member of the Board of Directors for three years. She has a keen interest in occupational health and safety and has served on the Occupational Health and Safety Advisory Council to the Minister of Labour. Judy is past director of the Newfoundland and Labrador Association of Public and Private Employees, Women in Resource Development, and is currently vice-president of the Newfoundland and Labrador Federation of Labour.

Richard Kelly — Member-at-Large
Richard Kelly is from Mount Pearl and is a Senior Customer Service Associate with Convergys Canada Incorporated. He has been a member of the Board of Directors for three years. He has over 25 years' experience in banking, investment, finance, and business.

Barry Warren — Member-at-Large
Barry Warren is from Gander. He is president of Canadian Courier Limited and has been on the Board of Directors for three years. Barry has 21 years' experience in the managerial, industrial, chemical, and sanitary supply industry, as well as three years with the transport and courier industry. He is the past treasurer and current secretary of the Gander and Area Chamber of Commerce, as well as a past member of the Board of Directors for Gander Worldwide Incorporated and former director with the Atlantic Division of the Canadian Sanitary Supply Association.

Donald Warr — Member-at-Large
Donald Warr is from St. John's and is a chartered accountant and partner in the firm Blackwood & Warr. He has been a member of the Board of Directors since the fall of 2000. He has been a member of Rotary for over 20 years, is the past chairperson of the Grace Hospital Foundation, and is a Fellow of the Institute of Chartered Accountants. Don also serves on the board of directors for Newfoundland Capital Corporation and several private companies.

Bernice Buckle — Employer Representative
Bernice Buckle is a retired business owner from Corner Brook with 30 years' experience in interior decorating and design. She has been a member of the Board of Directors for three years. Bernice, who served the Corner Brook Lioness Club for 28 years, was awarded the Lions International "Melvina Jones Fellow" Life Member status by the Lions Foundation of Canada. She is also a board member with the Western Regional Appeals Board, director of the Western Memorial Hospital Foundation, and a trustee with the Western Health Care Corporation.

Roger Flood — Employer Representative
Roger Flood is from St. John's and is president of Day & Ross. He has been a member of the Board of Directors since the fall of 2000. He is past-president of the St. John's Board of Trade, and a member of the Canadian Chamber of Commerce. Roger is a civil engineer and in 1998, received the Community Service Award of the Association of Professional Engineers & Geoscientists of Newfoundland.

Ches Foote — Employer Representative
Ches Foote is a businessman from Harbour Breton and has been a member of the Board of Directors for four years. He was also a board member of the Fortune Bay/Bay D'Espoir Connaigre School Board and the Central West Health Corporation. Ches is active in his community and is a member of the economic development committee and treasurer of the alternative measures program.

EX-OFFICIO
Ann Marie Hann
Chief Executive Officer
Workplace Health, Safety and Compensation Commission

Kim Dunphy
Assistant Deputy Minister
Occupational Health & Safety
Department of Labour

Management's responsibility for
FINANCIAL REPORTING

The financial statements of the Workplace Health, Safety and Compensation Commission were prepared by management, who are responsible for the integrity and fairness of the data presented, including significant accounting judgements and estimates. This responsibility includes selecting appropriate accounting principles consistent with generally accepted accounting principles in Canada. Financial information contained elsewhere in this annual report conforms to these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the necessary internal controls designed to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. The Internal Auditor performs audits designed to test the adequacy and consistency of the Commission's internal controls, practices and procedures.

The Board of Directors has reviewed the financial statements and other financial information included in this annual report.

The Board of Directors is assisted in its responsibilities by its Finance and Audit Committee. These committees review and recommend approval of the financial statements and annual reports, meet periodically with management, the Internal Auditor, external auditors and actuaries concerning internal controls and all other matters relating to financial reporting and recommend the appointment of external auditors and actuaries.

The firm of Morneau Sobeco has been appointed as independent consulting actuary to the Commission. Their role is to complete an independent actuarial valuation of the benefit liabilities of the Commission on a periodic basis not to exceed two years and to report thereon in accordance with generally accepted actuarial principles. Such a valuation was performed as at December 31, 2000. An interim valuation was performed as at December 31, 2001 by the Commission's actuary.

Deloitte & Touche LLP, the external auditors of the Commission, have performed an independent audit of the financial statements of the Commission in accordance with Canadian generally accepted auditing standards. The Auditors' Report outlines the scope of this independent audit and the opinion expressed.

Ann Marie Hann
Chief Executive Officer

Paul Kavanagh
Chief Financial & Information Officer

Financial STATEMENTS

Auditors' Report 11

Statement of Financial Position 12

Statement of Operations 13

Statement of Unfunded Liability 14

Statement of Cash Flows 15

Notes to Financial Statements 16

Auditors' REPORT

To the Board of Directors of the
Workplace Health, Safety and Compensation Commission
of Newfoundland and Labrador

We have audited the statement of financial position of the Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador as at December 31, 2001 and the statements of operations, unfunded liability and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP
Chartered Accountants

St. John's, Newfoundland
February 22, 2002

Statement of FINANCIAL POSITION

as at December 31

(dollars in thousands)	2001	2000
Assets		
Cash and cash equivalents (Note 3)	**$ 16,764**	$ 11,053
Receivables (Note 4)	**12,741**	10,904
Investments (Note 5)	**375,413**	346,162
Capital assets (Note 7)	**10,261**	10,295
	$ 415,179	$ 378,414
Liabilities and Net Fund Deficiency		
Payables and accruals	**$ 8,264**	$ 6,482
Benefit liabilities (Note 8)	**601,917**	559,204
Total liabilities	**610,181**	565,686
Reserves (Note 11)	**5,000**	15,000
Unfunded liability	**(200,002)**	(202,272)
Net fund deficiency	**(195,002)**	(187,272)
	$ 415,179	$ 378,414

Commitments (Note 17)

Contingencies (Note 18)

On behalf of the Commission

J. Wayne Trask
Chairperson

Ches Foote
Director

The accompanying notes are an integral part of the financial statements.

Statement of OPERATIONS

Years ended December 31

(dollars in thousands)	2001			2000
	Current Year Injuries	Prior Years' Injuries	Total	Total
Revenue				
Assessments	$ 127,952	$ 5,293	$ 133,245	$ 121,011
Unfunded liability assessment	-	4,200	4,200	13,400
Investment income	-	29,226	29,226	32,018
	127,952	38,719	166,671	166,429
Expenses				
Claims costs incurred				
Short-term disability	31,233	4,048	35,281	39,508
Long-term disability	34,956	28,696	63,652	60,836
Survivor benefits	2,192	4,211	6,403	7,861
Health care	27,875	7,540	35,415	34,707
Rehabilitation	1,338	276	1,614	1,897
	97,594	44,771	142,365	144,809
Administration (Note 12)	20,976	-	20,976	18,142
Other (Note 13)	5,750	-	5,750	4,728
	124,320	44,771	169,091	167,679
Surplus (deficiency) from operations	3,632	(6,052)	(2,420)	(1,250)
Actuarial adjustments for prior years	-	(5,283)	(5,283)	(20,902)
Surplus (deficiency) for the year	$ 3,632	$ (11,335)	$ (7,703)	$ (22,152)

The accompanying notes are an integral part of the financial statements.

Statement of UNFUNDED LIABILITY

Years ended December 31

(dollars in thousands)	2001	2000
Unfunded liability, beginning of year	**$ (202,272)**	$ (179,884)
Deficiency for the year	**(7,703)**	(22,152)
	(209,975)	(202,036)
Transfer from disaster reserve (Note 11)	**10,000**	-
Appropriation to reserve fund	**(27)**	(236)
Unfunded liability, end of year	**$ (200,002)**	$ (202,272)

The accompanying notes are an integral part of the financial statements.

Statement of CASH FLOWS

Years ended December 31

(dollars in thousands)	2001	2000
Cash flow from operating activities		
Cash received from:		
Employers, for assessments	**$ 135,608**	$ 134,618
Investment income	**13,981**	14,016
	149,589	148,634
Cash paid to:		
Claimants or third parties on their behalf	**(104,935)**	(106,644)
Suppliers and employees, for administrative and other goods and services	**(22,220)**	(20,859)
Third party, from reserve fund	**(27)**	(236)
	(127,182)	(127,739)
Net cash provided from operating activities	**22,407**	20,895
Cash flow from investing activities		
Cash received from:		
Sales and maturities of long-term investments	**712,423**	538,489
Cash paid for:		
Purchase of long-term investments	**(726,429)**	(552,613)
Purchase of capital assets	**(2,690)**	(2,025)
	(729,119)	(554,638)
Net cash used for investing activities	**(16,696)**	(16,149)
Net increase in cash and cash equivalents	**5,711**	4,746
Cash and cash equivalents		
Beginning of year	**11,053**	6,307
End of year	**$ 16,764**	$ 11,053

The accompanying notes are an integral part of the financial statements.

Notes to FINANCIAL STATEMENTS
December 31, 2001

(Tabular amounts expressed in thousands of dollars except where otherwise noted)

1. Nature of operations

The Workplace Health, Safety and Compensation Commission (the Commission) was established by the Newfoundland Legislature in 1951, under the *Workplace Health, Safety and Compensation Act (the Act)*. The Commission is responsible, in accordance with the provisions of *the Act*, for preventing and reducing the occurrence of workplace injuries and diseases through the promotion of health and safety in workplaces; the establishment of occupational health and safety certification standards and certification of trainers; administering the payment of benefits to injured workers and dependents of fatally injured workers; levying and collecting assessment revenues from established classes of employers in amounts sufficient to cover the current and future costs of existing claims; and investing funds, following investment policies which are approved by the Commission within guidelines established under *the Insurance Companies Act* (Canada). An independent Workers' Compensation Review Division is established under *the Act* to make rulings on any appeals pertaining to the Commission's assessments or benefits decisions. The Commission does not receive government funding or other assistance.

The Commission administers *the Act* for two groups of employers, referred to as assessment-based employers and self-insured employers. Assessment-based employers are insured through "collective liability" and are required to contribute to the Commission's Insurance Fund, whereas self-insured employers are individually liable. The Commission pays the actual cost of claims for self-insured employers and bills them on a monthly basis for payments related to short-term disability, health care, rehabilitation, extended earnings loss, permanent functional impairment awards and survivor benefits, together with their proportionate share of administrative costs.

An amended *Act* received Royal Assent on May 24, 2001. The amendments contained a number of provisions, including:

- provision of a comprehensive program for the early and safe return to work of injured workers. This program sets out obligations of co-operation on workers and employers in the return-to-work process and puts a duty on larger employers to accommodate and re-employ injured workers in the workplace;
- proportionate compensation where there are pre-existing or other than work-related causes for loss of earnings or impairment;
- additional payments to surviving dependent spouses whose benefits were terminated on or after April 17, 1985;
- elimination of the minimum weekly compensation for injured workers and to provide for transition for a worker in receipt of the minimum compensation; and
- increase in penalties to employers for violation of provisions in *the Act*.

Amendments to the *Occupational Health and Safety Act* received Royal Assent on May 24, 2001. These amendments contained a number of provisions including requirements for:

- training for occupational health and safety committees and worker health and safety representatives;
- occupational health and safety programs for workplaces with 10 or more workers; and
- occupational health and safety policies for workplaces with less than 10 workers.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The Commission's significant accounting policies are as follows:

Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments in money market instruments with maturities of three months or less.

Assessments receivable

At the beginning of each year, an assessment is levied on employers by applying industry assessment rates to their estimated payroll. Due to varying economic conditions, actual employers' payrolls may differ from original estimates. Therefore, at year-end, a provision for unbilled assessments is recorded based on historical assessment information.

Funding policy

Assessment rates are established at a level to generate sufficient revenue to cover either the cash disbursements in each year (cash approach) or the full year's cost of each accident year, as well as amortization of a portion of the unfunded liability (full funded approach). In 2001, the industry assessment rate levied on employers to contribute to the unfunded liability was $4,200,000 (2000: $13,400,000). The revenue raised with respect to the funding policy is shown separately in the Statement of Operations as the unfunded liability assessment.

Investments

Fixed term investments are recorded using the amortized cost method, which amortizes premiums and discounts arising on fixed term purchases over the periods to maturity of these investments. Gains or losses realized on the disposal of fixed term investments are amortized on a straight-line basis over a five-year period, which approximates the period to maturity.

Equity investments are stated at moving average market value. Unrealized gains and losses occurring during the year, together with gains and losses realized on the disposal of equity investments, are deferred and amortized on a straight-line basis over a five-year period.

Where it is determined that a permanent impairment in the carrying value of the entire investment portfolio has occurred, the carrying value of the portfolio is written down to recognize the loss and the write-down is included in income in the year in which it occurs.

Capital assets

Capital assets are reported at cost and are amortized monthly on a straight-line basis over their estimated useful lives. The periods used are as follows:

Building	40 years
Furniture and equipment	10 years
Computer equipment	1 to 5 years
Systems development	1 to 5 years
Equipment under capital lease	3 to 5 years

Benefit Liabilities

The benefit liabilities represent the actuarial present value of all future benefits payments expected to be made for injuries which occurred in the current fiscal year or in any prior year. The benefit liabilities include provision for all benefits provided by current legislation, policies and/or administrative practices in respect of existing claims. No provision has been made for future claims related to latent occupational disease, because they cannot be reasonably estimated, or for future expenses of administration of existing claims.

The benefit liabilities were determined using accepted actuarial practices in accordance with the standards established by the Canadian Institute of Actuaries.

Reserves

In accordance with Section 20.5 (1) of *the Act*, the Commission maintains a special reserve fund for the purpose of health and safety research. *The Act* requires that the Commission allocate a maximum of 2% of its total assessment and investment income in each calendar year to establish and maintain this special fund.

In accordance with Section 116 (1)(a) of *the Act*, the Commission may, at its discretion, establish reserves for the following:

- to meet an increase in the capitalization of compensation payments payable in future years where the increase cannot be provided without placing an undue burden on the employers in an industrial classification;
- to meet the loss arising from a disaster or other circumstances which would unfairly burden the employers in an industrial classification; or
- subject to the approval of the Lieutenant-Governor in Council, to meet the costs of particular needs of the Commission that it considers necessary.

Use of accounting estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

3. Cash and cash equivalents

	2001	2000
Money market instruments	$ -	$ 8,927
Bank balances	14,679	(130)
Cheques issued and outstanding	2,085	2,256
	$ 16,764	$ 11,053

The Commission has established an operating line of credit with its banker in the amount of $2,000,000. In addition, the Commission has a further $8,000,000 line of credit for the period January 1 to April 30, annually. Advances on the line of credit bear interest at the bank's prime interest rate, minus .60%. The credit facility is unsecured and was not utilized during 2001.

Notes to FINANCIAL STATEMENTS
December 31, 2001

4. Receivables

	2001	2000
Assessments	$ 4,845	$ 3,645
Unbilled assessments	6,000	6,000
Other	1,896	1,259
	$ 12,741	$ 10,904

5. Investments

	2001		2000	
	Carrying Value	Market Value	Carrying Value	Market Value
Fixed-term	$ 144,779	$ 148,889	$ 173,589	$ 176,606
Equities	243,183	256,182	200,466	211,383
Accrued interest	1,516	1,516	1,965	1,965
	389,478	406,587	376,020	389,954
Deferred investment gains	(14,065)	-	(29,858)	-
	$ 375,413	$ 406,587	$ 346,162	$ 389,954

During the year the following items were amortized to investment income.

	2001	2000
Amortized portion of realized investment gains	$ 14,539	$ 17,984
Amortized portion of unrealized investment gains	1,097	79
	15,636	18,063
Amortized portion of premiums on fixed term investments	78	(111)
Total amortized to investment income	$ 15,714	$ 17,952

During the year, the Commission changed its asset mix as follows:

	2001	2000
Bonds - Canadian	**35%**	40%
Equities - Canadian	**35%**	40%
Equities - Non-Canadian	**-**	20%
Equities - United States	**15%**	-
Equities - Europe, Asia and Far East	**15%**	-

6. Financial instruments

Market risk

The Commission invests in publicly and privately traded equities and bonds available on domestic and foreign exchanges. These securities are affected by market changes and fluctuations. The Commission does not use derivative financial instruments to alter the effects of these market changes and fluctuations.

Credit risk management

Credit exposure on fixed income securities arises from the possibility that the issuer of an instrument fails to meet its obligation to make interest payments and repay the principal. Of the fixed income assets in the investment portfolio, 27.7% (2000: 29.6%) have at least an A credit rating. The Commission does not anticipate that any issuers will fail to meet their obligations.

Foreign exchange risk management

The Commission has certain investments denominated in foreign currencies. During 2001 and 2000 the Commission did not undertake hedging strategies for the currency risk of foreign investments and currency fluctuations influenced short-term returns. These fluctuations are not expected to affect the long-term position of the investment portfolio.

Interest rate risk management

Fluctuations in interest rates are managed by actively controlling the duration of the fixed income portfolio. The table below represents the remaining term to maturity of the Commission's fixed term investments.

Remaining Term to Maturity

Book Value	Within 1 Year	Over 1 Year to 5 Years	Over 5 Years	Total 2001	Total 2000
Fixed-term Investments	$ 13,126	$ 65,598	$ 66,055	**$ 144,779**	$ 173,589

7. Capital assets

	2001			2000
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 11	$ -	$ 11	$ 11
Building	7,489	3,388	4,101	4,346
Furniture and equipment	2,583	1,595	988	959
Computer equipment	5,781	4,866	915	606
Systems development	8,052	4,469	3,583	3,351
Equipment under capital lease	1,733	1,070	663	1,022
	$ 25,649	$ 15,388	$ 10,261	$ 10,295

Notes to FINANCIAL STATEMENTS
December 31, 2001

8. Benefit liabilities

An independent consulting actuary completes a valuation of benefit liabilities of the Commission on a periodic basis, not to exceed two years. Such a valuation was performed as at December 31, 2000. In 2002, the actuary was engaged to update the estimated benefits and unfunded liability as at December 31, 2001. These estimates were based on the results of detailed calculations carried out for the valuation as at December 31, 2000 and the emerging cost experience for 2001 as provided to the actuary by the Commission.

Benefits paid by the Commission to injured workers are based on net pay after employee deductions (i.e. employment insurance, Canada Pension Plan (CPP), and income tax). Income tax rate reductions during 2001 and 2000, by the provincial and federal governments, have resulted in a decrease in taxes paid by individuals. These tax rate reductions have the impact of increasing net pay of injured workers, thus increasing the benefit payments and benefit liability of the Commission.

An analysis of the components of, and changes in, benefit liabilities is as follows:

	2001						2000
	Short-Term Disability	**Long-Term Disability**	**Survivor Benefits**	**Health Care**	**Rehab**	**Total**	**Total**
Balance, Beginning of year	$ 57,615	$ 356,208	$ 50,738	$ 90,517	$ 4,126	**$ 559,204**	$ 500,137
Add:							
Claims costs incurred:							
Current year injuries	31,233	34,956	2,192	27,875	1,338	**97,594**	103,743
Prior years' injuries	4,048	28,696	4,211	7,540	276	**44,771**	41,066
	35,281	63,652	6,403	35,415	1,614	**142,365**	144,809
Deduct:							
Claims payments:							
Current year injuries	10,631	402	153	6,148	38	**17,372**	19,379
Prior years' injuries	23,629	32,358	6,877	22,660	2,039	**87,563**	87,265
	34,260	32,760	7,030	28,808	2,077	**104,935**	106,644
Balance before the following	58,636	387,100	50,111	97,124	3,663	**596,634**	538,302
Actuarial adjustments:							
Prior years	1,605	750	2,472	-	456	**5,283**	9,353
Tax amendments	-	-	-	-	-	-	11,549
	1,605	750	2,472	-	456	**5,283**	20,902
Balance, end of year	$ 60,241	$ 387,850	$ 52,583	$ 97,124	$ 4,119	**$ 601,917**	$ 559,204

9. Actuarial assumptions

The benefit liabilities are based on projections of future benefit payments which reflects long-term estimates of economic and actuarial assumptions and methods, modified for current trends. As these assumptions may change over time, it is possible that such changes could cause a material change in the actuarial present value of future benefit liabilities.

The table below lists the principal economic assumptions used:

	2001		2000	
	CPI-Indexed Awards	**Other Payments**	**CPI-Indexed Awards**	**Other Payments**
Gross rate of return	**7.64%**	**7.64%**	7.64%	7.64%
Inflation - Year 1	**3.00%**	**4.00%**	3.00%	4.00%
Inflation - ultimate rate	**4.00%**	**4.00%**	4.00%	4.00%
Net rate of return - Year 1	**4.50%**	**3.50%**	4.50%	3.50%
Net rate of return - ultimate rate	**3.50%**	**3.50%**	3.50%	3.50%

The ultimate rate is achieved in 2006 and later years.

10. Change in unfunded liability

	2001	2000
Unfunded liability, beginning of year	**$ (202,272)**	$ (179,884)
Favourable revenue variance	**1,900**	7,800
Favourable (unfavourable) accident variance for the current year	**2,000**	(19,100)
Short fall in unfunded liability assessment	**(11,300)**	-
Favourable investment income variance	**5,200**	10,500
Liability adjustments for prior years' claims	**(5,300)**	(9,300)
Transfer from disaster reserve	**10,000**	-
Income tax amendments	**-**	(11,500)
Other	**(230)**	(788)
	$ (200,002)	$ (202,272)

Notes to FINANCIAL STATEMENTS
December 31, 2001

11. Reserves

A reserve for funding studies, projects and research relating to the enhancement of occupational health and safety in the workplace has been provided by a two percent charge to annual assessment revenue, to a maximum of $5,000,000. During 2001, $27,000 (2000: $236,000) was issued from this reserve. These funds have been replenished at December 31, 2001 and 2000. Effective December 31, 2001, the $10,000,000 Disaster Reserve was transferred and applied to the unfunded liability.

12. Administration expenses

	2001	2000
Salaries and employee benefits	**$ 14,106**	$ 12,535
Office and communications	**1,979**	1,786
Amortization	**2,724**	2,432
Building operations	**562**	439
Travel and vehicle operating	**613**	531
Professional fees	**992**	419
	$ 20,976	$ 18,142

The increase in salaries and employee benefits and professional fees is due primarily to the additional resources required to develop and implement the Commission's new rate assessment and early and safe return-to-work models, to conduct a business process and information technology review related to the Commission's operations, and implementation of salary increases associated with the new collective agreement.

Notes to FINANCIAL STATEMENTS
December 31, 2001

13. Related party transactions and other expenses

Included in these financial statements are amounts resulting from normal operating transactions with various provincial government-controlled departments, agencies, and crown corporations to which the Commission may be considered related. The provincial government is also a self-insured employer, and account balances resulting from these transactions are included in the financial statements and are settled under normal trade terms.

The Commission is required by legislation to reimburse the provincial government for a portion of the operating costs of the Department of Labour in delivering on its occupational health and safety mandate, all of the costs of the Workers' Compensation Review Division, and the employer and worker advisor positions. Total expenses incurred by the Commission for legislated and other expenses are detailed below:

	2001	2000
Legislated Obligations		
Department of Labour	**$ 3,578**	$ 3,539
Workers' Compensation Review Division	**651**	576
Employer and Worker Advisors	**400**	400
Legislated Obligations	**4,629**	4,515
Other Expenses		
Worksafe Program	**(25)**	151
Task Force on Workers' Compensation	**252**	62
External sponsored training initiatives	**894**	-
Other Expenses	**1,121**	213
Total legislated obligations and other expenses	**$ 5,750**	$ 4,728

14. Industry levy

The Commission has levied a surcharge of $0.10 per $100 of payroll on employers in the construction sector to fund a portion of the operating costs of safety and health training programs conducted by the Newfoundland and Labrador Construction Safety Association. The amounts collected on behalf of the Association totaled $347,000 in 2001 and are not included in the Statement of Operations.

15. Self-insured employers

These financial statements include the effects of transactions carried out for self-insured employers, principally federal and provincial government bodies, who directly bear the costs of their own incurred claims and an appropriate share of administrative costs. Aggregate amounts of such assessment revenue and offsetting expenses included in the Statement of Operations are as follows:

	2001	2000
Assessment revenue	**$ 6,631**	$ 7,064
Claims costs incurred		
Short-term disability	**743**	916
Long-term disability	**2,624**	2,828
Survivor benefits	**571**	484
Health care	**1,740**	1,696
Rehabilitation	**47**	129
Administration charges	**906**	1,011
	$ 6,631	$ 7,064

The benefit liabilities related to self-insured employers have not been determined by actuarial valuation and thus are not included in the Commission's benefit liabilities. As these liabilities will be borne by those employers when paid in future years, they are excluded from the determination of the Commission's unfunded liability and its net fund deficiency.

16. Pension costs

All permanent employees of the Commission are covered by the Public Service Superannuation Plan administered by the Province of Newfoundland and Labrador. Contributions to the plan are required from both the employees and the Commission. The annual contributions for pensions are recognized in the accounts on a current basis.

17. Commitments

The Commission has committed to the following lease payments for office premises and equipment as follows:

	Capital	Operating	Total
2002	$ 484	$ 135	$ 619
2003	246	86	332
2004	36	62	98
2005	-	5	5

18. Contingencies

(a) The Commission may be liable for the future costs of claims relating to certain latent occupational diseases which may have occurred in the current year or previously, but which may not be recognized and reported for a number of years due to the extended latency period of such diseases. Because of the absence of reliable evidence and data pertaining to these matters, the liabilities cannot be reasonably estimated and have not been recorded in these financial statements.

(b) On March 1 and 19, 1998, the Workers' Compensation Review Division issued two decisions indicating that the Commission's method of offsetting CPP from workers' compensation benefits was incorrect. These decisions were overturned by the Supreme Court of Newfoundland on December 24, 1999. This decision was appealed by the workers affected and on September 28, 2001, the Court of Appeal of Newfoundland reversed the decision of the Trial Division. The Commission, however, is seeking Leave to Appeal to the Supreme Court of Canada. The provisions at issue in these decisions relate specifically to whether or not CPP benefits should be offset from compensation benefits in a gross from gross method or net from net method. The benefits liabilities exposure is estimated to be $8,000,000 to $10,000,000 including accrued interest. The outcome of this matter is presently undeterminable.

(c) The legislative amendments to *the Act* on May 24, 2001 provided for payments to surviving dependent spouses whose benefits were terminated on or after April 17, 1985. In July, 2001, three complaints were filed against the Commission and the Department of Labour to the Human Rights Commission for alleged discrimination on the basis of marital status. These complaints are currently before the Commissioner at the Human Rights Commission to determine whether or not to proceed to a Board of Inquiry. Retroactive reinstatement of benefits to all survivors who remarried has the potential to increase the Commission's benefits liabilities by approximately $8,900,000 including accrued interest. The outcome of this matter is presently undeterminable.

19. Comparative figures

Certain of the comparative information has been reclassified to conform with the presentation adopted in the current year.

Five-Year HISTORY
December 31, 2001

Statement of Operations and Unfunded Liability for the Year Ends December 31

(thousands of dollars)	2001	2000	1999	1998	1997
Revenue					
Assessments	**$ 133,245**	$ 121,011	$ 103,604	$ 94,752	$ 85,028
Unfunded liability assessment	**4,200**	13,400	13,400	13,400	13,400
Investment income	**29,226**	32,018	27,990	26,760	26,496
	166,671	166,429	144,994	134,912	124,924
Expenses					
Claims costs					
Current year injuries	**97,594**	103,743	97,595	67,593	56,650
Prior years' injuries	**44,771**	41,066	34,301	30,572	29,936
	142,365	144,809	131,896	98,165	86,586
Administration	**20,976**	18,142	17,846	15,141	13,808
Other	**5,750**	4,728	4,327	4,094	4,869
	169,091	167,679	154,069	117,400	105,263
(Deficiency) surplus from operations before the following	**(2,420)**	(1,250)	(9,075)	17,512	19,661
Actuarial adjustments for prior years	**(5,283)**	(20,902)	(59,367)	(19,186)	(10,388)
Legislative changes	**-**	-	-	(17,367)	(1,286)
	(5,283)	(20,902)	(59,367)	(36,553)	(11,674)
(Deficiency) surplus for the year	**(7,703)**	(22,152)	(68,442)	(19,041)	7,987
Unfunded liability, beginning of year	**(202,272)**	(179,884)	(111,100)	(91,667)	(99,354)
Appropriation to (from) reserve fund	**9,973**	(236)	(342)	(392)	(300)
Unfunded liability, end of year	**$ (200,002)**	$ (202,272)	$ (179,884)	$ (111,100)	$ (91,667)
Funded ratio	**67.5%**	65.2%	65.5%	74.1%	75.9%

Prevention OVERVIEW

All stakeholders agree that the best way to address the financial woes of the workers' compensation system is to prevent injuries from happening in the first place. In 2001, our prevention services department implemented a number of the Task Force recommendations. The department has also created industry champions and instituted a new targeting program for employers with high injuries and claim costs. These and many of our activities and initiatives are noted below.

Highlights of 2001

Industry champion model

Prevention services staff were realigned in accordance with major industry classifications, i.e., construction, manufacturing, transportation, service, fishing, mining and forest products. Health and safety advisors and ergonomists have been assigned to an industry sector. Having an advisor and ergonomist specialize in an industry sector increases the health and safety expertise within that industry, expediting knowledge transfer among employers and promoting best practices.

Priority employer program

Through consultation with the Commission's actuary, a ranking exercise of all registered employers in relation to the employer's claims experience and injury trends was conducted. As a result, health and safety advisors and ergonomists were assigned a caseload of high injury, high cost employers with the aim to reduce the injury rates of these employers by improving their health and safety programs. The reduction of injury rates of priority employers should have a significant effect on the province's overall injury rate.

Legislative changes

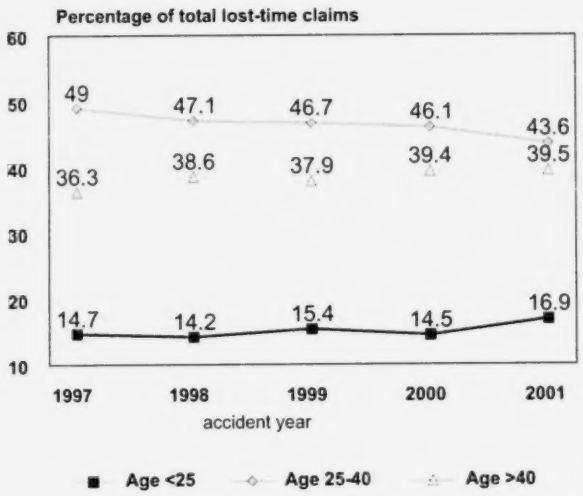
Legislative changes to the *Occupational Health and Safety Act* and Regulations resulted in a number of new requirements for occupational health and safety committees and worker health and safety representatives, including training requirements for both small and large employers. As well, the Commission worked closely with the Department of Labour to draft new regulations requiring health and safety programs and policies at workplaces.

Training initiatives

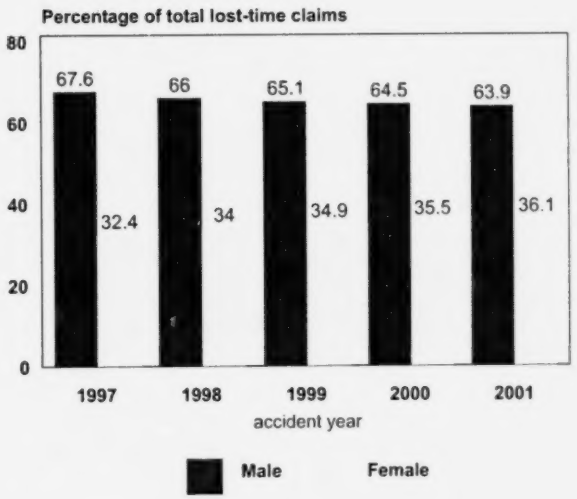
In the fall of 2001, the Commission established a certification training process for occupational health and safety committees, worker health and safety representatives and training providers. New curriculum and training requirements were developed. A monitoring program was also initiated by the Commission to track the quality of training and maintenance of training standards. As well, a database has been established to track compliance. Further work on the tracking system will continue in 2002.

Statistical OVERVIEW

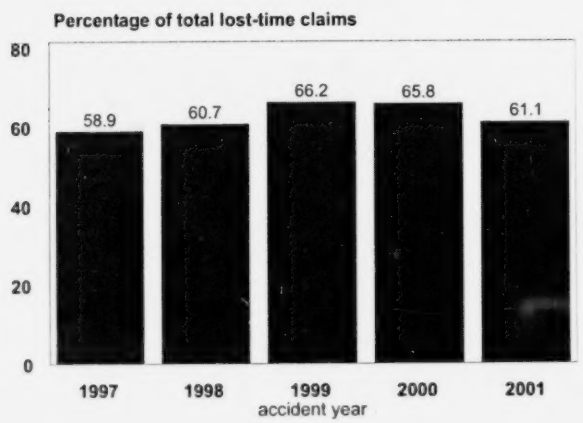
Lost-time Claims* by Age Group 1997-2001



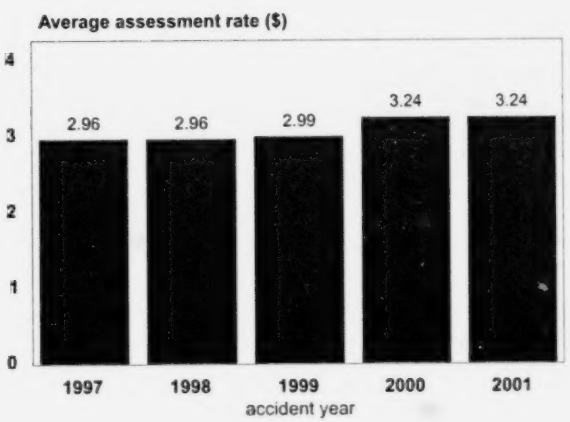
Lost-time Claims* by Gender 1997-2001



Soft Tissue Injuries as a Percentage of Total Claims* 1997-2001



Average Assessment Rate 1997-2001



* Lost-time claims accepted and paid

TOP FIVE NATURE OF INJURY

	Mining	Forestry	Manufacturing	Construction	Transportation	Services	Fishing	Enhanced Disabilities**	Self Insurers	Total	Percent*
Sprains, strains, tears	20	41	117	151	92	1025	91	1	113	1651	26.92%
Soreness, pain, hurt, except back	21	16	84	88	29	530	133	1	63	965	15.74%
Back pain, hurt back	19	14	67	89	35	491	77	2	43	837	13.65%
Open wounds (cuts, lacerations)	6	27	77	73	18	280	51	1	10	543	8.86%
Bruises, contusions	13	26	63	69	23	197	23	-	31	445	7.26%

TOP FIVE PART OF BODY INJURED

	Mining	Forestry	Manufacturing	Construction	Transportation	Services	Fishing	Enhanced Disabilities**	Self Insurers	Total	Percent*
Back, spine, spinal cord	35	42	139	196	86	1125	132	3	98	1856	30.27%
Wrist(s), hand(s), finger(s)	20	40	139	125	40	595	129	-	44	1132	18.46%
Neck and/or shoulder	12	18	62	64	26	472	66	1	41	762	12.43%
Multiple body parts	7	11	32	50	19	311	53	-	38	521	8.50%
Knee(s), ankle(s)	12	17	44	75	42	236	33	2	47	508	8.28%

TOP FIVE TYPE OF ACCIDENT

	Mining	Forestry	Manufacturing	Construction	Transportation	Services	Fishing	Enhanced Disabilities**	Self Insurers	Total	Percent*
Bodily motion/reaction	26	28	140	134	72	852	83	4	97	1436	23.42%
Overexertion in lifting, pushing, pulling	18	25	103	100	52	829	117	-	68	1312	21.40%
Slip and/or fall	15	40	81	145	57	587	61	2	94	1082	17.65%
Struck by object	26	26	76	112	32	304	61	1	29	667	10.88%
Contact with objects and equipment	5	19	46	81	34	273	55	1	27	541	8.82%

* Percentage of the total number of lost-time claims (6,132).

** Enhanced disabilities are more generally known as the Second Injury Relief which, by definition, refers to the total or partial cost of individual claims being redirected from the assessable employer to a general account, known as the Second Injury Relief account. Second Injury Relief will be given when a new work injury or a recurrence of a previous work injury occurs while a worker is participating in a Commission-sponsored rehabilitation program. This relief is also available when the injury recovery period is extended or there are increased costs because of a pre-existing disability or pre-existing impairment.

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